



City of San Diego

Fiscal Year 2005 Proposed Budget Honorable Mayor and City Council May 3, 2004



Fiscal Year 2005 Proposed Budget



Economic Conditions

- U.S. economy indicates growth in Gross Domestic Product
- Labor market trends in San Diego show improvement in 2004
- Manufacturing employment still down, but considerably improved from same period the previous fiscal year
- San Diego maintains its 3rd place ranking among top 25 hotel markets in nation



Employment

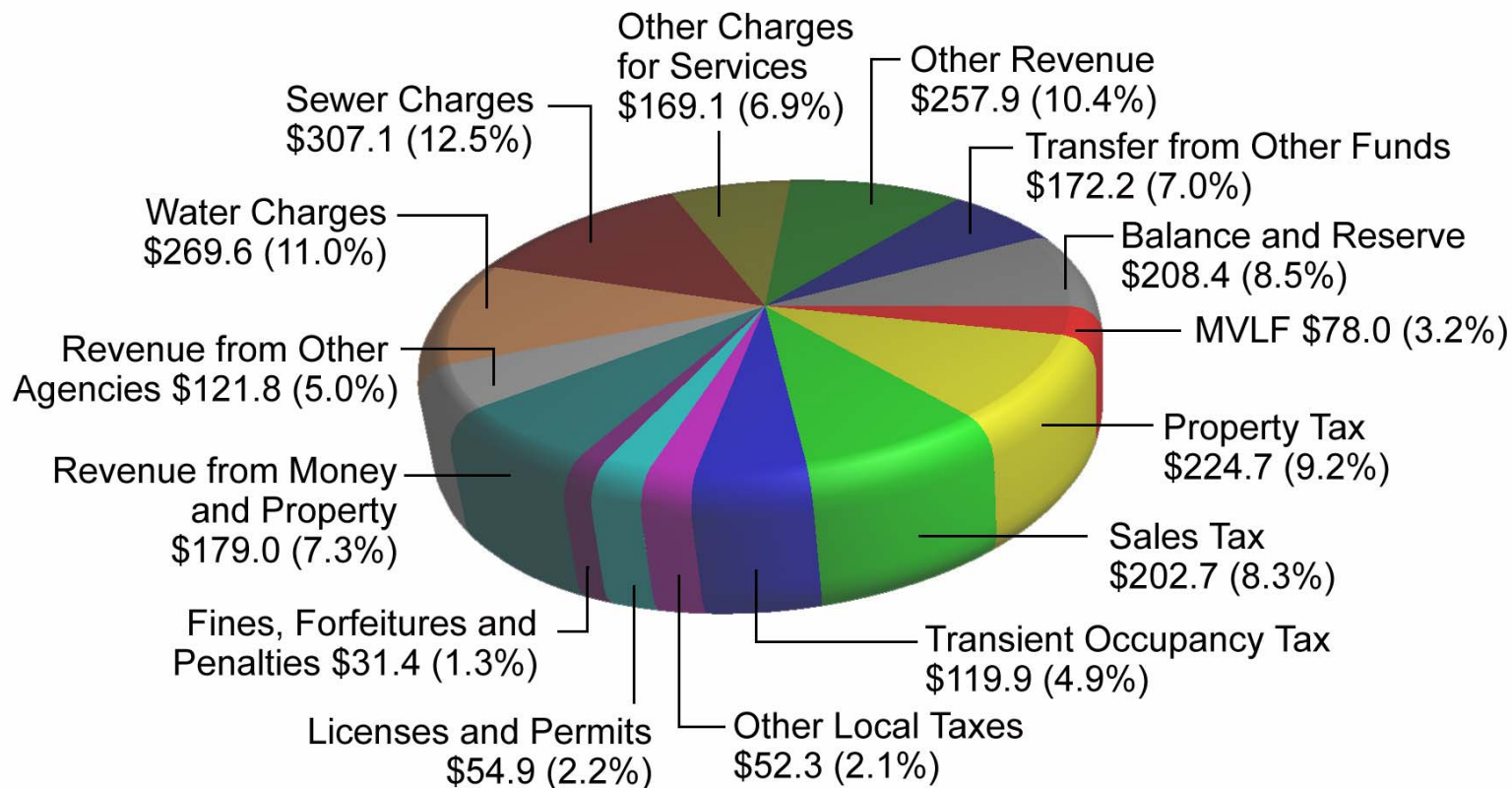
- 2004 Unemployment Rates (as of February 2004)
 - San Diego 4.1%
 - California 6.6%
 - Nation 6.0%

Tourism

- Recovered from the events of September 11, 2001
- Expected boost from new hotels



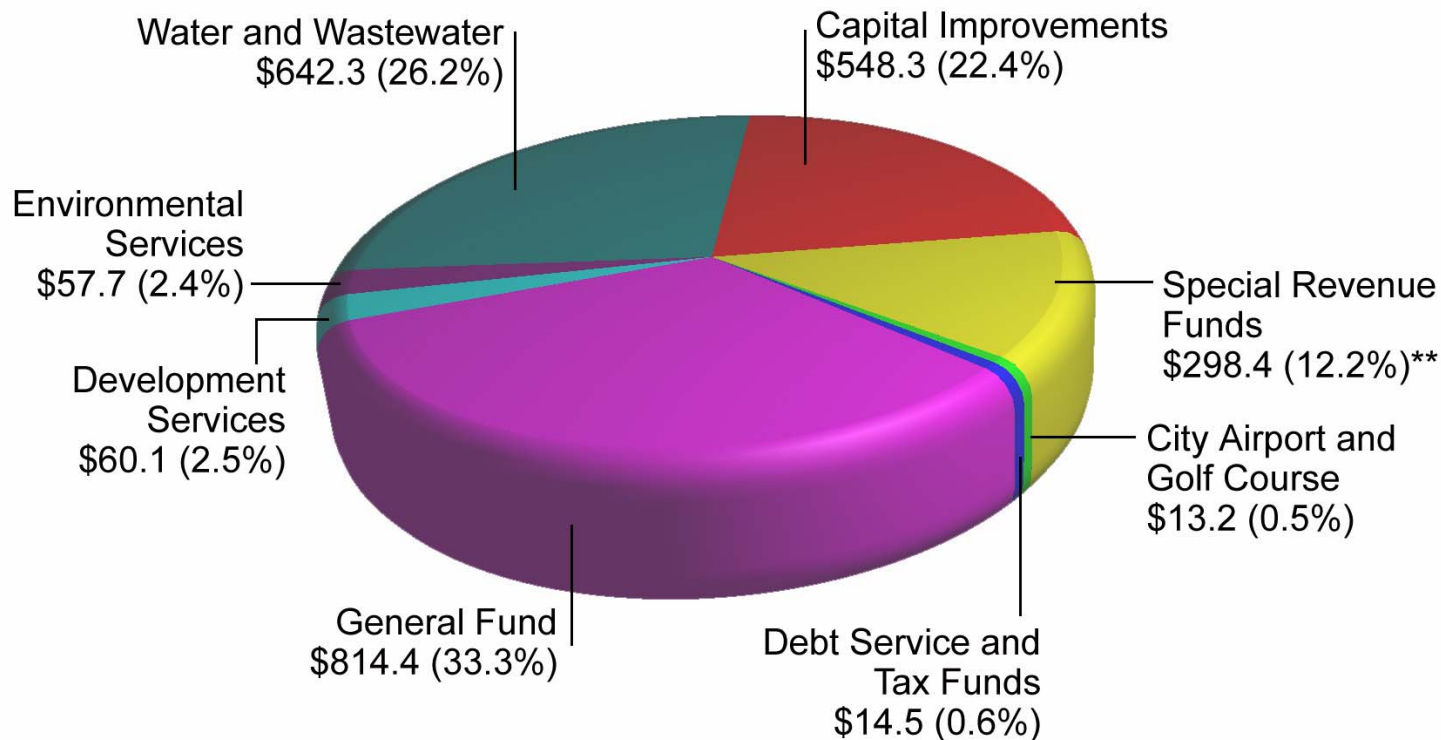
TOTAL CITY BUDGET REVENUES BY CATEGORY Fiscal Year 2005 Proposed Budget - \$2.45 Billion* (in Millions)



* Does not include Internal Service Funds. Totals may not sum due to rounding.



TOTAL CITY BUDGET EXPENDITURES Fiscal Year 2005 Proposed Budget - \$2.45 Billion* (In Millions)

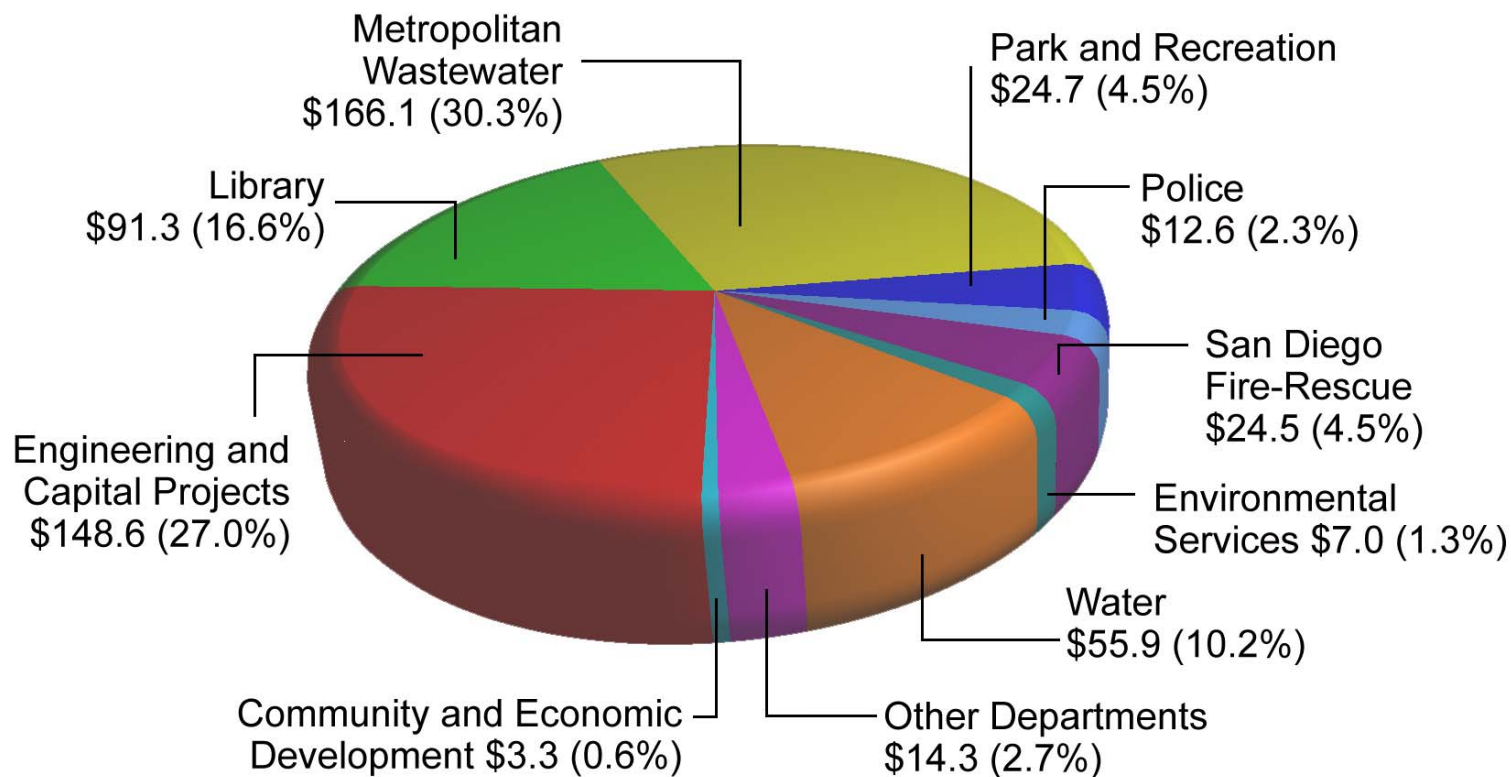


* Does not include Internal Service Funds.

** Includes items such as Special Promotional Programs, Gas Tax, TransNet Funds, Street Division Operating Fund, and Information Technology and Communications Fund.



TOTAL CIP BUDGET Fiscal Year 2005 Proposed Budget - \$548.3 Million (In Millions)





Fiscal Year 2005 Proposed Positions

Total City Position Changes

	Annual FY 2004	Proposed FY 2005	Change
General Fund	7,042.54	6,912.87	(129.67)
Total Special Revenue Funds	701.26	632.56	(68.70)
Total Sewer	1,054.72	1,046.72	(8.00)
Total Water	860.74	860.24	(0.50)
Total Other Enterprise Funds	986.22	1,003.22	17.00
Total Internal Service Funds	548.80	545.30	(3.50)
Total Other Funds	74.75	74.75	-
TOTAL	11,269.03	11,075.66	(193.37)



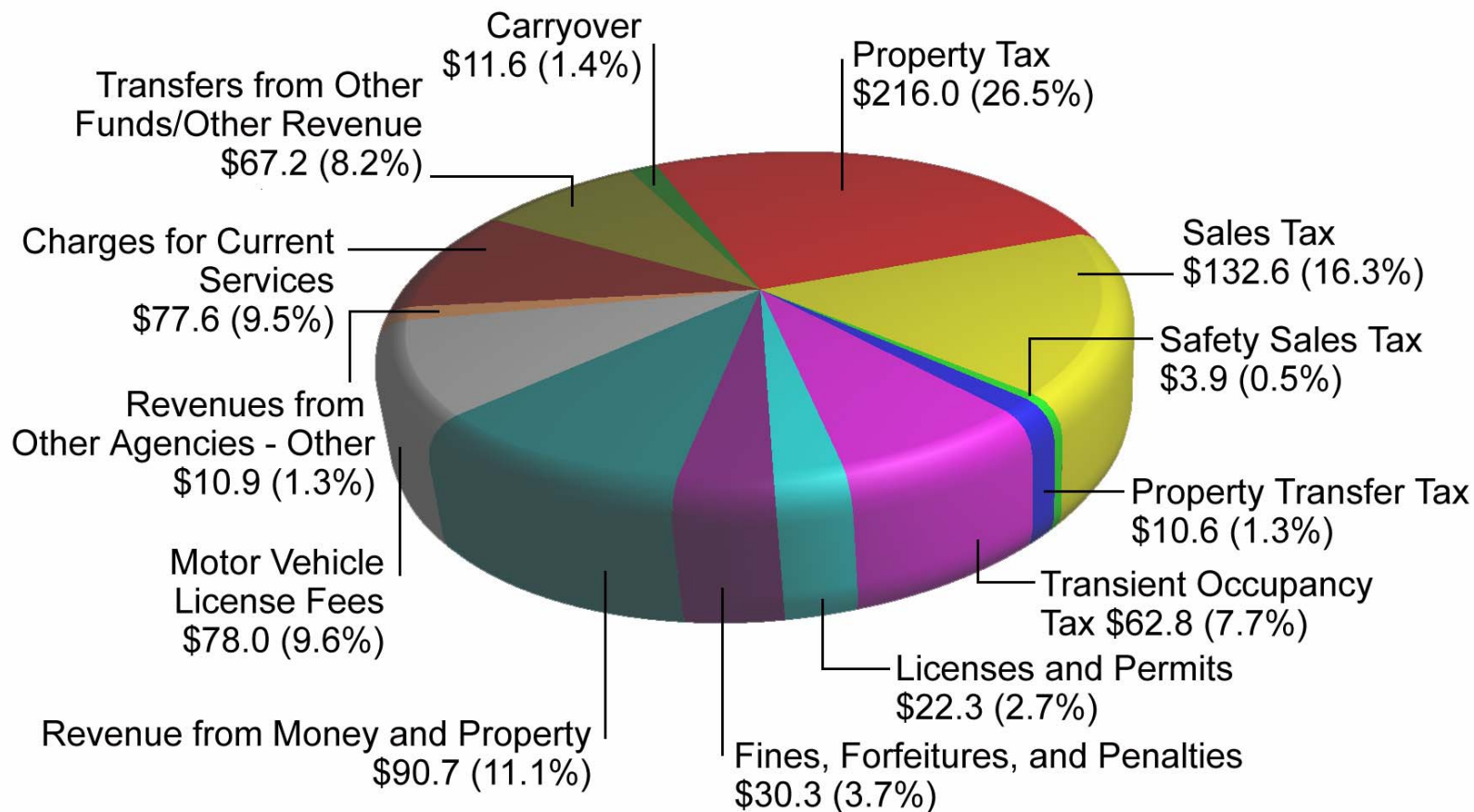
Major Expenditure Category	FY 2005 Budget	Change From FY 2004
General Fund	\$814,413,216	\$71,399,947
Enterprise Funds	\$773,389,118	\$14,805,727
Capital Improvement	\$548,308,182	\$80,740,946
Special Revenue Funds	\$298,364,067	\$10,586,011
Debt Service and Tax	\$14,548,594	\$3,766,410
Total	\$2,449,023,177	\$181,299,041



Fiscal Year 2005 Proposed Revenue

GENERAL FUND REVENUES

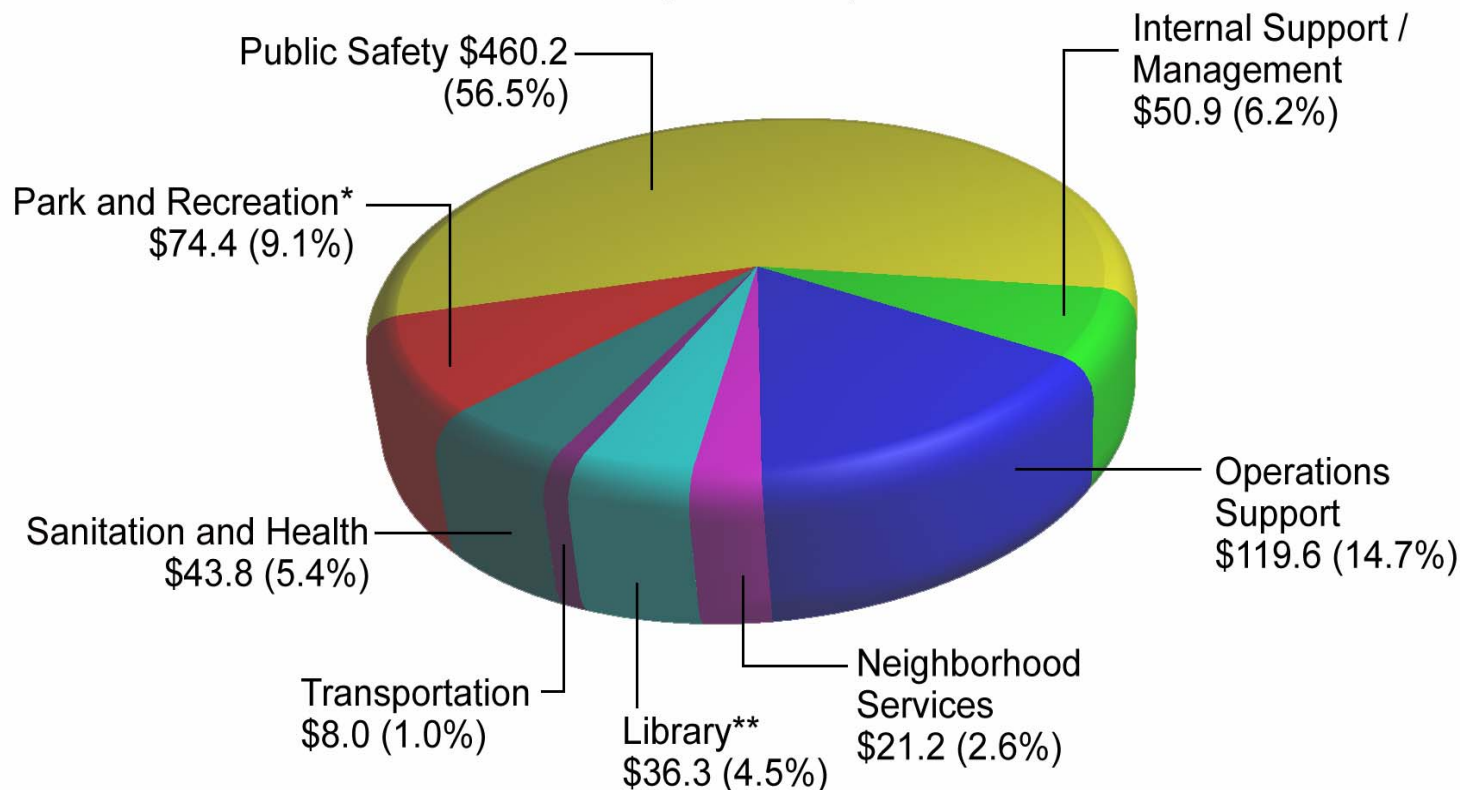
Fiscal Year 2005 Proposed Budget - \$814.4 Million
(In Millions)





Fiscal Year 2005 Proposed Expenditures

GENERAL FUND EXPENDITURES BY PROGRAM AREA
Fiscal Year 2005 Proposed Budget - \$814.4 Million
(In Millions)

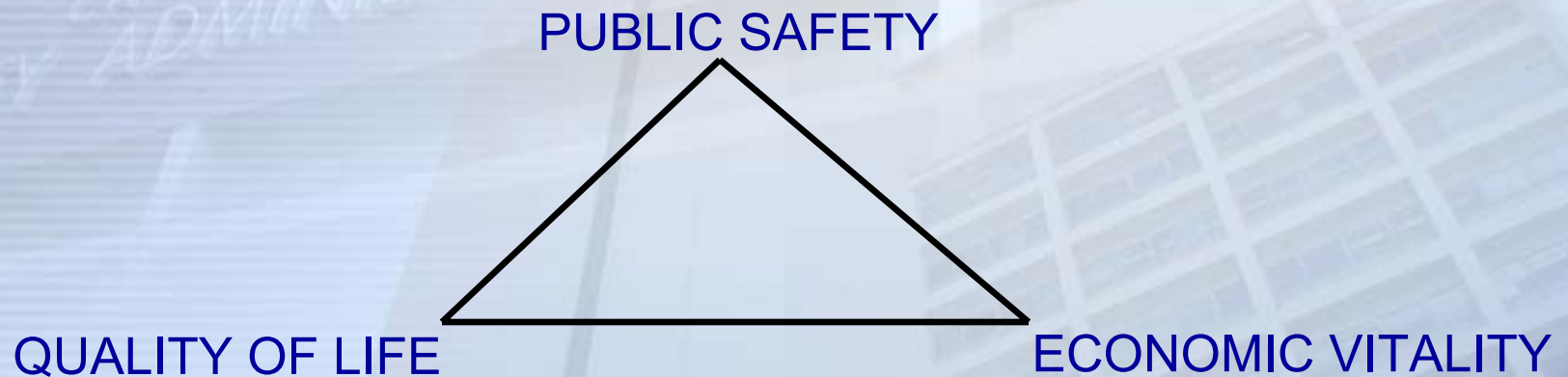


* Does not include Mt. Hope Cemetery, which is included in Sanitation and Health.

** Total Library expenditures include grant funds, which are not reflected in this General Fund chart.



Budget Priorities





Budget Priorities

Examples of City functions providing services to meet these priorities are reflected in the following table:

PUBLIC SAFETY

- Police Protection
- Fire Protection
- City Attorney
- Risk Management
- Transportation

QUALITY OF LIFE

- Park & Recreation
- Library
- Environmental Services
- MWWD

ECONOMIC VITALITY

- Development Services
- Water Department
- Fiscal Services
- Comm & Econ Dev
- Transportation



Fiscal Year 2005 Priorities

- Enhanced Public Safety
- Adequate Fiscal Reserves
- Increased Pension System Funding
- Reduced Deferred Maintenance
- Delivery of Neighborhood Services



General Fund Changes by Program Area

	FY 2005 Proposed Budget	Annual FY 2004 Budget	Change from FY 2004
Public Safety	\$460,179,378	\$398,875,501	\$61,303,877
Sanitation and Health	\$43,808,396	\$42,770,700	\$1,037,696
Library ⁽¹⁾	\$36,263,410	\$35,891,707	\$371,703
Neighborhood Services	\$21,225,125	\$26,354,211	(\$5,129,086)
Transportation	\$8,031,268	\$7,332,944	\$698,324

(1) FY 2004 Library budget includes grant funds, which are not included in the General Fund total.



General Fund Changes by Program Area

	FY 2005 Proposed Budget	Annual FY 2004 Budget	Change from FY 2004
Park and Recreation	\$74,382,652	\$71,931,953	\$2,450,699
Operations Support General Services, Real Estate Assets, Engineering, etc.	\$119,600,875	\$111,506,320	\$8,094,555
Internal Support/Mgmt City Auditor, Treasurer, Human Resources, etc.	\$50,922,112	\$48,349,933	\$2,572,179
TOTAL	\$814,413,216	\$743,013,269	\$71,399,947



Fiscal Year 2005 Proposed Expenditures

Expenditure Growth Over Fiscal Year 2004 Budget

General Fund

	In Millions
Salary	\$35.9
Retirement/Fringe	\$37.3
Public Safety annualization of facility operating costs	\$1.2
Public Safety additions	\$11.1
Non-Public Safety annualization of facility operating costs	\$2.3
Non-Public Safety additions	\$7.5
Non-discretionary accounts (insurance, energy, vehicle usage, information technology, etc.)	\$4.1
Department reductions	(\$26.9)
Other department reductions	(\$1.1)
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NET EXPENDITURE GROWTH	\$71.4



Fiscal Year 2005 Proposed Positions

General Fund Position Changes

	Change
Budgetary Savings Plan	(165.66)
General Fund - New	0.00
Reimbursable from Other Sources – New	8.94
Reallocation	0.00
Transfers to/from Non-General Fund Departments; conversion of non-personnel expense to personnel expense	
New Facilities/Annualizations	27.05
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TOTAL GENERAL FUND	(129.67)



Major Revenues

(In Millions)

	FY 2004 Budget	FY 2004 Revised	FY 2005 Proposed
Property Tax	\$199.8	\$200.0	\$216.0
Sales Tax	\$191.6	\$197.5	\$202.7
Motor Vehicle License Tax	\$74.9	\$60.6	\$78.0
Transient Occupancy Tax	\$110.7	\$110.4	\$119.9
Franchise Fees*	\$62.3	\$65.5	\$68.0

*Does not include Utility Undergrounding Surcharge



Fiscal Year 2005 Proposed Revenue

Major Revenue Growth

	FY 2003 Growth Rate	FY 2004 Growth Rate	FY 2005 Proposed Growth Rate
Property Tax	7.0%	8.0%	8.0%
Sales Tax	0.9%	6.1%	3.5%
Transient Occupancy Tax ⁽¹⁾	5.3%	5.5%	6.0%
Motor Vehicle License Fees ⁽²⁾	5.2%	-16.1%	3.0%
Franchise Fees ⁽³⁾⁽⁴⁾	-20.7%	20.9%	3.9%

(1)The 2003 growth rate includes the impact from Super Bowl XXXVII

(2)This reflects the reduction in VLF receipts due to the state take away in FY 2004.

(3)Fiscal Year 2004 Franchise Growth Rate does not include \$38.8 million in undergrounding fees.

(4)This reflects the volatility of gas prices in FY 2003.



FY 2005 Proposed Revenue Enhancements

Proposed Revenue Enhancements included in the Fiscal Year 2005 Proposed Budget:

- **Miscellaneous Fees** **\$4.0 million**
Swimming pool fees, vehicle impound fees, Fire-Rescue inspection fees; implement an alarm reissuance fee
- **6 to 6 Program** **\$1.9 million**
Proposed fee schedule for families that do not meet low income criteria



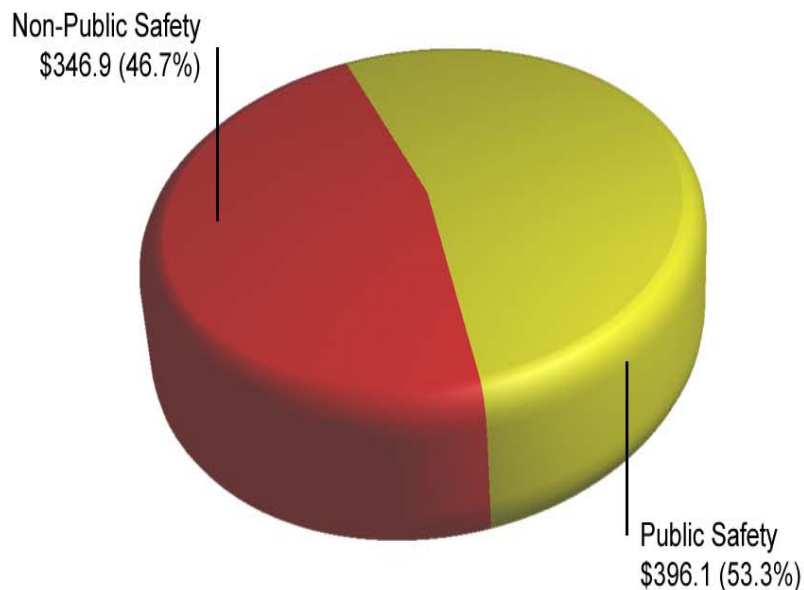
Public Safety

- **Public Safety remained a high priority**
- **Fires of October, 2003, reinforced the importance of public safety**
- **Public Safety budgets will outpace the growth of the General Fund**
- **Long Range Plan developed for public safety**

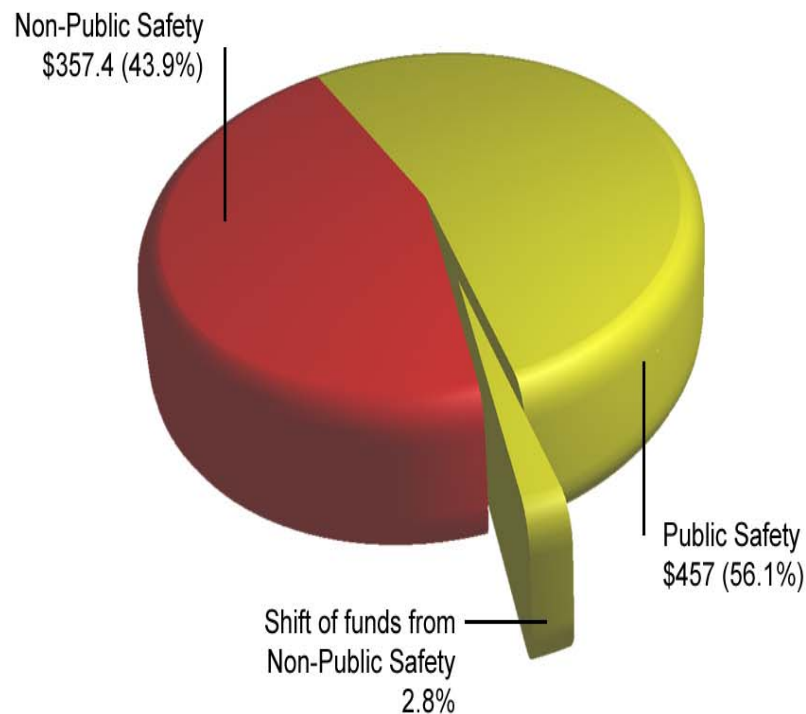


Public Safety Allocation Comparison

FISCAL YEAR 2004 BUDGET



FISCAL YEAR 2005 PROPOSED BUDGET



The Public Safety Allocation Comparison graph does not include the Emergency Medical Services Department



Police Department

FY 2004
Budget

\$288.0 million

FY 2005
Proposed

\$323.5 million

Change

\$35.5 million

Police Department Increases for FY 2005 Proposed Budget

- Support for Patrol Operations
- Vehicles
- Police Academies
- Salaries and Benefits



Fire-Rescue Department

FY 2004
Budget

\$133.6 million

FY 2005
Proposed

\$157.8 million

Change

\$24.2 million

Fire-Rescue Increases for FY 2005 Proposed Budget

- Support for Fire-Rescue Helicopter Program
- Annualization of Staffing and Support for Fire Station 46
- Support for Public Safety Additions (fire and lifeguard equipment, supplies and services, overtime)
- Salaries and Benefits



Budgetary Savings Program

(General Fund)

Approximately \$26.9 million General Fund reductions were necessary

- Focus on Non-Public Safety Services
- Unavoidable service impacts
- Identified revenue enhancements



Budgetary Savings Program

Library

Proposed General Fund Budget: \$36.3 million 408.53 FTE

- Reduction of \$2.2 million and 13.00 positions
- Library Ordinance has been temporarily waived
- Maintain Sunday hours at Mission Valley and Central libraries
- Reduce service hours at Central Library from 64 to 52 hours per week
- Delay minor repairs at libraries and ordering of library materials



Budgetary Savings Program

Park and Recreation

Proposed General Fund Budget: \$75.8 million 841.36 FTE

-Reduction of \$5.2 million and 93.78 positions

- Elimination of free youth programs
- Recreation center operating hours reduced from 48 to 40 hours per week
- City pools open March through October
- Elimination of maintenance support program for all coastal and shoreline parks



Budgetary Savings Program

Neighborhood Code Compliance

Proposed General Fund Budget: \$5.1 million 59.02 FTE

- Reduction of \$767,090 and 6.00 positions
- Decrease the number of land development and zoning cases resolved each year, adding to the current backlog
- Cancellation of Urban Corp contract resulting in elimination of City graffiti removal from private properties



Budgetary Savings Program

Community and Economic Development

Proposed General Fund Budget: \$7.7 million 40.02 FTE

- Reduction of \$5.3 million and 11.40 positions
- Eliminate Commercial Revitalization Program
- Reduce Revolving Loan Program
- Reduce number of children in the "6 to 6" Extended School Day Program



Budgetary Savings Program

General Services

Proposed General Fund Budget: \$20 million 188.92 FTE

- Reduction of \$1.4 million and 8.65 positions
- Delay of non-emergency City facilities work requests
- Reduce "Think Blue" program by 50 percent



Budgetary Savings Program

Special Projects

Proposed General Fund Budget: \$1.9 million 8.08 FTE

- Reduction of \$1.7 and 12.00 positions
- Eliminate Community Service Center services and eight associated storefronts



Budgetary Savings Program

Special Promotional Programs

Major Categories will be impacted with an approximately 10% reduction

- Arts, Culture, and Community Festivals
- Economic Development
- Major Events
- Commission for Arts and Culture



Reorganization and Innovations

General Services and Transportation

- Consolidation of two departments into Public Works Department

Purchasing Division

- Transferred to Financial Management Department

Will be reflected in Annual Fiscal Year 2005 Budget



Reorganization and Innovations

Storm Water Pollution Prevention Division

- Consolidate with Metropolitan Wastewater Department, to integrate Environmental Monitoring & Technical Services Division

Binational Affairs Department

- Transferred to Governmental Relations Department

San Diego Data Processing Corporation

- Consolidate with Information Technology & Communications Department

Will be reflected in Annual Fiscal Year 2005 Budget



Management Reductions

- \$1.5 Savings Estimated
- Unclassified Managers no longer receive equivalent of 5.8% of the City funded portion of the retirement offset contribution



Unfunded Needs

- Public Safety
- Pension System
- Basic Operating Needs
- Deferred Maintenance
- Strategic Framework/City of Villages



General Fund Revenue Options

The Rules Committee directed the City Manager to work with key stakeholders to analyze revenue options including:

- Business License Tax
- Refuse Hauler Franchise Fee
- Parking Lot Tax
- Property Transfer Tax
- Refuse Collection Fee
- Transient Occupancy Tax



Future Outlook

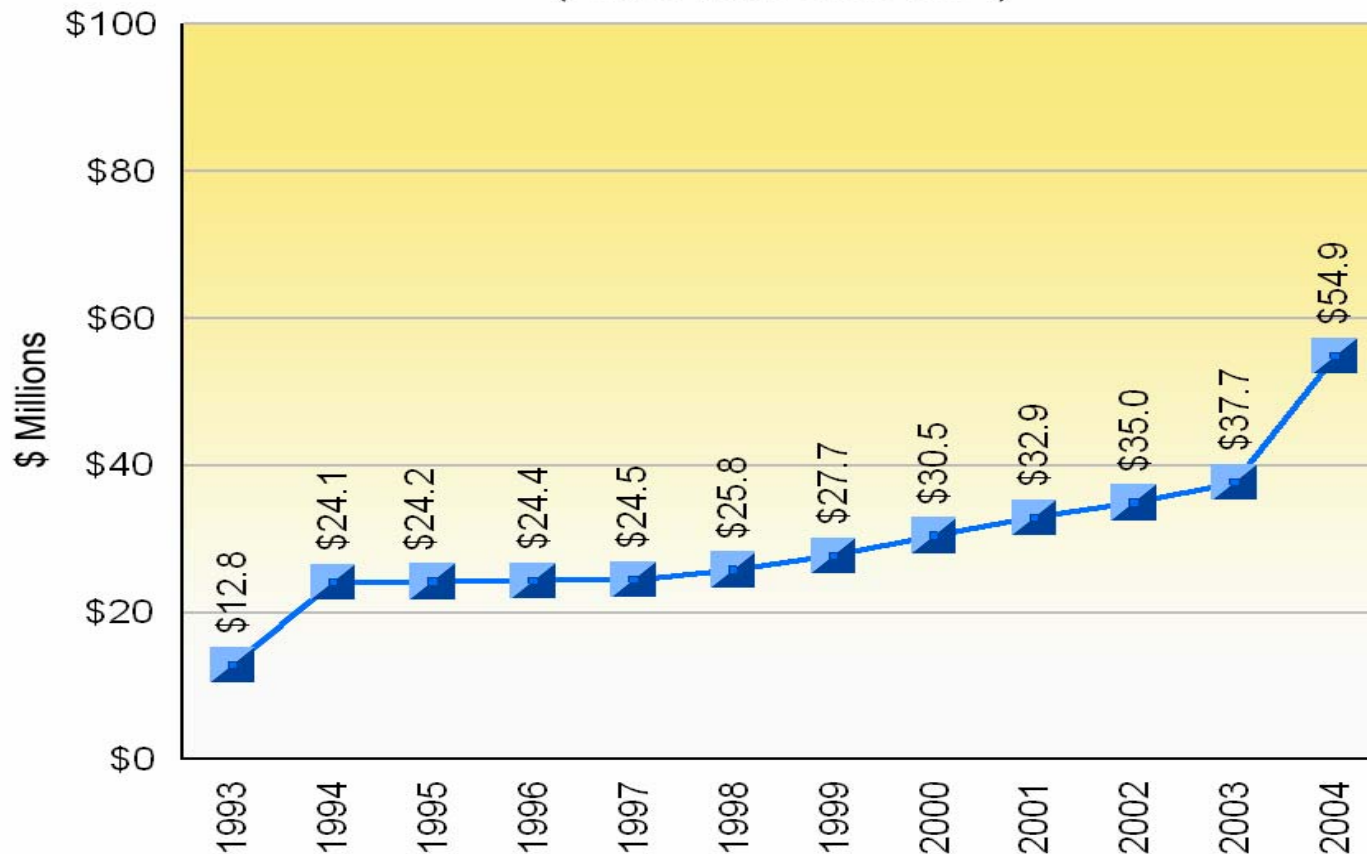


Potential State Budget Impact

- Potential State impact is significant
- Recommend that City Council incorporate the estimated impacts prior to finalizing the Fiscal Year 2005 Budget



CITY OF SAN DIEGO DISCRETIONARY REVENUES Diversion of Revenue to the State (Fiscal Years 1993-2004)



Source: ERAF Shift - County of San Diego
MVLFF Loss - City of San Diego, Financial Department



Potential State Budget Impact

Governor's Proposed State Impacts
(as of January, 2004)

<u>FY 2005</u>	<u>Proposed Budget</u>
General Fund	
Additional new ERAF shift	\$9.5 million
Booking Fees	\$5.2 million
COPS funding	\$0.4 million
<u>Law Enforcement Technology grants</u>	<u>\$0.4 million</u>
Total	\$15.5 million



Proposed State Revenue Reduction Solutions

Close approx. 2 library branches per Council District	\$ 7.00 million
Close all recreation centers	\$ 8.00 million
Fire-Rescue Flexible Deployment (1 unit)	\$ 1.50 million
Reduction to Police helicopter operations	\$ 1.50 million
Special Promotional Allocations (reduce add'l 10%)	\$ 2.30 million
Mission Bay Ordinance Funding Waiver	\$ 1.50 million
Infrastructure Fund Balances	\$ 0.45 million
Development Agreement Interest	\$ 0.84 million
Two Weeks Furlough (non-public safety)	\$ 5.00 million
State Contingency Reserve Fund	\$ 3.90 million
Total Potential Solutions	\$31.99 million



Conclusion

- Emphasis on Public Safety
- Excludes State impacts due to uncertainty; recommend incorporating potential impacts before finalizing the Fiscal Year 2005 Budget
- Increased cost and service requirements continue to present funding challenges
- Continue to closely monitor local, state and national economic indicators and adjust accordingly



Proposed Fiscal Year 2005 Budget Hearings

Monday May 3	Monday May 10	Tuesday May 11	Monday May 17
City Manager's Presentation	Police	Fire-Rescue	Library
	Transportation		Environmental Services
	General Services		Engineering and Capital Projects
	Development Services		



Proposed Fiscal Year 2005 Budget Hearings

**Tuesday
May 18**

**Park and
Recreation**

City Attorney

**Monday
May 24**

**Pension Reform
Committee Report**

**Tuesday
May 25**

**Cost Recovery
Fees**

**Monday
June 7**

**San Diego
Convention Center
Corporation**

**Special
Promotional
Programs
(Transient
Occupancy Tax)**



Proposed Fiscal Year 2005 Budget Hearings

Tuesday June 8	Monday June 14	Tuesday June 15
Metropolitan Wastewater	San Diego Data Processing Corporation	Housing Commission
Water	Other Departments, Programs, Maintenance Assessment Districts, Issues, & Policies	Centre City Development Corporation
Cost of Service Study		Southeastern Economic Development Corporation
		Redevelopment Agency



Proposed Fiscal Year 2005 Budget Hearings

**Monday
June 21**

**City Council Discussion,
Decisions, and Final
Adoption**

**Monday
June 28**

**City Council Discussion,
Decisions, and Final
Adoption**



**Fiscal Year 2005
Proposed Budget
Honorable Mayor
and
City Council
May 3, 2004**